

Message Text

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PAGE 01 PORT M 00282 010425Z

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ACTION EA-10

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FM AMCONSUL PORT MORESBY

TO SECSTATE WASHDC 0406

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CINCPAC

C O N F I D E N T I A L PORT MORESBY 0282

CINCPAC FOR POLAD

E.O. 11652: GDS

TAGS: PINS, PGOV, PP

SUBJECT: ALLEGATIONS OF CORRUPTION IN THE PEOPLES

PROGRESS PARTY: THREAT TO SOMARE MINISTRY

1. FOR SOME MONTHS WE HAVE HEARD OBLIQUE BUT UNSUB-
STATIATED RUMORS TO THE EXISTANCE OF CORRUPTION
WITHIN THE PEOPLES PROGRESS PARTY, A COALITION PARTNER
OF THE SOMARE GOVERNMENT. IT IS ALLEGED THAT PPP
MEMBERS HAVE ACCEPTED TRIPS, CASH, AND OTHER FAVORS
FROM OVERSEAS JAPANESE INVESTORS, AND LOCAL CHINESE
TRADING INTERESTS, AND THAT CHAN AS MINISTER OF FINANCE
HAS INFLUENCED THE GRANTING OF TIMBER CONCESSIONS TO
OVERSEAS INVESTORS ON TERMS UNFAVORABLE TO PNG. ONE
PPP MEMBER OF THE HOUSE OF ASSEMBLY IS ON BOARD OF
DIRECTORS TIMBER FIRM IN NEW IRELAND BACKED BY JAPANESE
MONEY.

2. IN MID MARCH REPUTABLE PANGU PATI MEMBER INFORMED
POLOFF THAT UNITED PARTY OPPOSITION LEADERSHIP HAD
PRESENTED "EVIDENCE" TO THE CHIEF MINISTER OF CORRUPTION
BY THE PPP MEMBERS INCLUDING JULIUS CHAN, AND HIS
SECRETARY HENRY FRANCIS CHOW. THIS CONFIRMED BY UNITED
PARTY REP. DEGREE OF CHAN'S INVOLVEMENT IS UNKNOWN.

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PAGE 02 PORT M 00282 010425Z

SOURCE STATED CHIEF MINISTER GRAVELY WORRIED FEARING

THAT ISSUE COULD JEOPARDIZE CABINET ESPECIALLY AS UNITED PARTY HAS THREATENED TO PUBLICIZE SITUATION IF SOMARE DID NOT TAKE ACTION AGAINST CHAN AND PPP.

3. FURTHER, SECOND PANGU LEADER, CLOSE TO SOMARE, INFORMED POLOFF THAT SOMARE'S INITIAL REACTION WAS TO DEFEND CHAN TO PREVENT PPP DEFECTION AND SUBSEQUENT DOWNFALL OF THE CABINET. ALSO SOMARE CONSIDERS EVIDENCE AGAINST CHAN TO BE INCONCLUSIVE, AND DOES NOT WANT A PROLONGED AND MESSY CORRUPTION INVESTIGATION SURFACED ON THE THRESHOLD OF INDEPENDENCE. HE ALSO SUSPECTS UNITED PARTY WANTS TO REPLACE PPP IN COALITION. LASTLY, BUT OF GREAT IMPORTANCE, SOMARE IS SAID TO BE LOATH TO POLITICALLY DESTROY A COLLEAGUE WHO HAS BEEN HARD WORKING, EFFECTIVE OVER A BROAD RANGE OF ISSUES, AND AT HIS SIDE DURING THESE PAST TWO DRAMATIC YEARS.

5. COMMENT: WHILE THE BELIEF IS STRONG IN UNITED PARTY AND SOME PANGU CIRCLES THAT CHAN HAS ABUSED HIS POWERS AS MINISTER OF FINANCE, IT IS NOT AT ALL CLEAR THAT HE HAS ACTUALLY ACTED IN VIOLATION OF PNG LAW. UNTIL THE RECENT PASSAGE OF THE NATIONAL INVESTMENT DEVELOPMENT AUTHORITY ACT, THERE WERE FEW LEGAL GUIDELINES REGARDING INVESTMENT PRACTICES HERE. OLMSTED

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